



TEXAS JUVENILE JUSTICE DEPARTMENT

TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

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www.tjjd.texas.gov

FY 2017 Internal Audit Annual Report

October 2017

Internal Audit Department Mission

To provide the agency audit and consulting services that enhance accountability and assists the agency in accomplishing its mission and objectives through managing risk, increasing control awareness, improving processes, facilitating change, and promoting best practices.

Team Members

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TEXAS JUVENILE JUSTICE DEPARTMENT

TRANSFORMING YOUNG LIVES AND CREATING SAFER COMMUNITIES

October 20, 2017

The Honorable Greg Abbott, Governor
The Legislative Budget Board
The Sunset Advisory Commission
State Auditor's Office
Texas Juvenile Justice Board
David Reilly, TJJD Executive Director

Attached is the Fiscal Year 2017 Annual Internal Audit Report from the Texas Juvenile Justice Department's Internal Audit Division. This report is provided in accordance with the Texas Internal Auditing Act requirements for internal auditors to prepare and distribute an annual report of accomplishments and activities and complies with the guidelines set forth by the State Auditor's Office.

The Office of Internal Audit completed audit work and provided management with information and analyses to assist in initiating improvements to operations and to strengthen internal controls. In addition to audit work, Internal Audit provided advice and assistance on governance, risk management, and controls and management actively engages the Department as they continue to work toward more efficient and effective processes in the agency.

Internal Audit staff continues to be active in the local internal audit community through participation in the State Agency Internal Audit Forum (SAIAF), the Austin Chapter of the Institute of Internal Auditors (IIA), and the Information Systems Audit and Control Association (ISACA). Staff also continue to attend training courses offered by the State Auditor's Office and other local trainers and work toward professional certification.

If you have any questions, please contact me at (512) 490-7190 or Vivian Cohn at 512-490-7053.

Sincerely,

A handwritten signature in black ink, appearing to read "Eleazar Garcia".

Eleazar Garcia, CIA, CRMA
Chief Auditor

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**I. COMPLIANCE WITH TEXAS GOVERNMENT CODE, SECTION 2102.015:
Posting of the Internal Audit Plan, Internal Audit Annual Report, and Other
Audit Information on the Internet Web Site**

Internal Audit will ensure the posting of the Fiscal Year (FY) 2018 Internal Audit Plan upon Board approval and the FY 2017 Internal Audit Annual Report on the Texas Juvenile Justice Department's internet web site. The reports will be submitted to the agency's Webmaster for inclusion in the Internal Audit page of the Agency's internet website.

A summary of the Recommendations for the issues identified during audits included in the FY 2017 Audit Plan can be found in Exhibit A attached at the end of the Annual Report.

II. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2017

Below is the status of audits included in the FY 2017 audit plan:

Audit No.	Report Date	Report Title	Status
16-8	10/28/2016	Title IV-E Grant Audit	Completed
16-9	1/20/2017	Halfway House Education Consulting Project	Completed
16-1C	1/20/2017	Giddings State School Audit	Completed
17-1B	6/16/2017	Orientation and Assessment Audit	Completed
17-1A	8/25/2017	The Oaks Residential Contract Care Audit	Completed
17-5	10/20/2017	Centralized Placement Unit Audit	Completed
17-7	Pending	Endowment Trust Funds Audit	Underway
17-6	Pending	Vocational Programs Consulting Project	Underway

III. CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES COMPLETED

Consulting Services

16-9	1/20/2017	Halfway House Education Consulting Project	To evaluate the education programs provided in the halfway houses.
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Other consulting services:

Activity	Key Results
Policy Review	Review policies and offer input and guidance on thoroughness, controls, and feasibility.
Executive Management Team	The Chief Auditor is a member of the Executive Management Team and as such attends meetings and provides input.
Central Management Team	The Chief Auditor and Deputy Chief Auditor are members of the Central Management Team and as such attend meetings and provide input.
Ad Hoc Consultation with Management and Staff	Discuss ideas and concerns and provide advice as needed by agency staff.
Construction Committee Meetings	Chief Auditor and Deputy Chief Auditor are members and as such attend meetings and provide input.

IV. EXTERNAL QUALITY ASSURANCE REVIEW (PEER REVIEW)

The most recently completed External Quality Assurance Review was conducted using the State Agency Internal Audit Forum's Peer Review Process. It was completed November 2015, by Susan Jockisch, Audit Manager for the Texas Department of Family and Protective Services, and Anthony Chavez, Director of Internal Audit for the Employees Retirement System of Texas.

Overall Opinion

(excerpt from final report – page 1)

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Texas Juvenile Justice Department (TJJD) Office of Internal Audit receives a rating of "pass" and is in compliance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework* and Code of Ethics, the United States Government Accountability Office (GAO) *Government Auditing Standards*, and the Texas Internal Auditing Act (*Texas Government Code*, Chapter 2102). This opinion, which is the highest of the three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal audit function.

We found that the Office of Internal Audit is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The Annual Audit Plan and individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely.

The Office of Internal Audit is well managed internally. In addition, the Office of Internal Audit has effective relationships with the Board and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers Internal Audit a useful part of the overall agency operations and finds that the audit process and report recommendations add value and help improve the agency's operations.

V. INTERNAL AUDIT PLAN FOR FISCAL YEAR 2018

TEXAS JUVENILE JUSTICE DEPARTMENT

FY 2018 Audit Plan

Based on Available 8310 Hours

Audit and Consulting Projects		
Mandatory		Contract Management
Facility Audits (3 Facilities)		
Texas Administrative Code 202 Audit		Yes
Discretionary		
State Grant Audit		Yes
Federal Grant Audit		Yes
Carryover Projects from FY 2017		
Centralized Placement Unit Audit		
Vocational Program Consulting Project		
Endowment Trust Funds Audit		
-		
Other Projects		
Annual Risk Assessment and Audit Plan for FY2019		
FY2018 Annual Internal Audit Report		
FY2018 Annual Internal Quality Assurance and Improvement Program		
Follow Up/Verification of Prior Audit Recommendations		
Management Assistance		
External Quality Assurance Review – Reciprocating Services		

There were 6 high-risk areas identified in this year's risk assessment. All six are on the plan with four of the areas being incorporated into facility audits conducted in accordance with Texas Human Resources Code Section 203.013. High-risk auditable units are as follows:

Rank	Auditable Unit	Last Audited (Fiscal Year)
1	Physical Security	2014
2	Staffing and Coverage	2011
3	County Grant Management	2013
4	Gatehouse Security	2014
5	Education Grant Management	None
6	Dorm Living & Supervision	2015

Risk Assessment Methodology

Internal Audit utilized input from Board members, agency staff, auditor judgment, and historical data and identified the auditable units to be included in the risk assessment. The units were ranked based on eight risk factors which included the safety and welfare of the youth, safety and welfare of the staff, staff turnover, impact on communities, data reliability, safeguarding of assets, compliance with laws and regulations, and recent and/or significant changes. Each unit's risk factor was scored on a five-point scale with low risks being one, medium risks being three, and high risks receiving five points. The units were ranked and a distribution level obtained to identify the high risks for the agency. After consideration of statutorily required audit work and audit history, consideration for leave, training requirements, and other responsibilities, and estimated available hours for FY 2018 of 8310 hours, the proposed audit plan for FY 2018 was developed.

VI. EXTERNAL AUDIT SERVICES

The following external audit services were procured or were ongoing in Fiscal Year 2017:

	External Audit Service	Focus of Review	Status
1	Texas Commission on Law Enforcement Agency Audit Report	Audit of commission records for appointed personnel (OIG)	Completed
2	Office of Independent Ombudsman	Prison Rape Elimination Act Audits (PREA) of state agency facilities	Ongoing
3.	Texas Department of Public Safety	Non-criminal justice audit of agency's compliance with criminal history record information	Completed
4.	Texas Commission on Law Enforcement Agency Audit Report	Audit of Commission records for appointed personnel (AID)	Completed
6.	State Comptroller's Office	Post Payment Expenditure Audit	Completed

VII. REPORTING SUSPECTED FRAUD AND ABUSE

Currently, suspicions of fraud, waste, and abuse that have been reported to TJJD have been processed through the Office of Inspector General. The Chief Inspector General coordinated fraud investigations and information as needed with the Special Investigation's Unit of the State Auditor's Office.

The TJJD internet homepage <http://www.tjtd.texas.gov/Default.aspx> contains a link to the TJJD Abuse Hotline webpage for reporting fraud and includes a direct reference to the State Auditor's Office (SAO) hotline and webpage for reporting Fraud, Waste, and Abuse as follows:

"Report suspected fraud, waste, or abuse of state resources occurring at a Texas state agency, college, or university to the [Texas State Auditor's Office](#) at 1-800-TX-AUDIT and to the [TJJD Office of Inspector General](#) at 1-866-477-8354."

In addition, the TJJD Employee Handbook, Section III Reporting Illegal Activities includes references to reporting suspected fraud to SAO and a link to their website.

Exhibit A
Recommendations for FY 2017 Audit Plan Projects

Project Code	Project Name	Recommendation	Recommendation Status
16-1C	Giddings State School Audit	The Director of Business Operations and Procurement and the Director of Fiscal Affairs and Budget should: <ul style="list-style-type: none"> • Provide training on the importance of utilizing appropriate budget codes. • Implement a review process to ensure accuracy of facility budget and approvals. 	Management Reports as Implemented
16-1C	Giddings State School Audit	The Chief Information Officer should coordinate with both the Director of Treatment and the Manager of Specialized Treatment regarding the process to perform the periodic User Access review and to remove any users with inappropriate access to the Suicide Alert Database and the Treatment Group Manager, respectively.	Management Reports as Implemented
16-1C	Giddings State School Audit	The Director of Business Operations and Contracts should update and cover fixed asset policies with appropriate staff to ensure agency expectations are in line with procedures for the reporting and control of fixed assets.	Pending
16-1C	Giddings State School Audit	The Director of Business Operations and Management should update policy to include vehicles being inspected periodically and their related condition being reported from field locations to Fleet Management.	Pending
16-8	Title IV-E Audit	The Placement Services and Title IV-E Division Manager should: <ul style="list-style-type: none"> A. Adopt and implement a plan for monitoring the state foster care program and ensure results are readily available for any outside review. B. Resubmit a plan to DFPS regarding how State caseworkers and JPDs will maintain 90% compliance level with monthly face-to-face case worker visits. C. Once the Summary of Grant Requirements has been updated, the COMETS should be updated to reflect requirements, including a formal financial review and face-to-face caseworker visits. 	Pending

Project Code	Project Name	Recommendation	Recommendation Status
16-8	Title IV-E Audit	<p>The Placement Services and Title IV-E Division Manager should:</p> <ul style="list-style-type: none"> A. Coordinate with DFPS to adjust all payment discrepancies currently identified and submit accurate reimbursements to the county and process recoupments to DFPS. B. Communicate with DFPS and determine a timeframe for which future billing discrepancies will be remedied (from the date the discrepancy is identified to the date it is resolved). C. Resubmit Placement Information Discharge forms with every billing discrepancy identified on the DFPS billing report. D. Any payments processed with a discrepancy should be communicated to the Senior Director of Probation and Community Services and Director of Budget and Fiscal Affairs for proper handling. 	Pending
16-8	Title IV-E Audit	<p>The Placement Services and Title IV-E Division Manager should:</p> <ul style="list-style-type: none"> A. Complete an agency (TJJD) Cost Allocation Plan for FY15-FY16 to identify allocated costs for administrative reimbursements and submit to DFPS for review and approval. B. Complete a time study methodology for agency staff that do not spend 100% of their time on IV-E activities. Submit this methodology to DFPS for review and approval. C. Coordinate with DFPS regarding the needed adjustments for salaries reimbursed for FFY15Q1 and FFY15Q2. D. Implement a periodic report of compliance with contract and other grant requirements to the Senior Director of Probation and Community Services. 	Pending
16-8	Title IV-E Audit	<p>The Placement Services and Title IV-E Division Manager should:</p> <ul style="list-style-type: none"> A. Acquire all Cost Allocation Plans for FY13 to current and ensure they are certified by the appropriate individual (Bexar CAP should be recertified). B. The Cost Allocation Plan Checklist should be updated to document the time period for which the CAP is effective, the title of the individual certifying the CAP, the Indirect Cost Rate and the type of rate used (fixed, final, or provisional). CAPS should be maintained in a 	Pending

Project Code	Project Name	Recommendation	Recommendation Status
		<p>shared agency drive (ensure CAPs are backed up periodically) to ensure they are accessible to IV-E staff subsequent to turnover.</p> <p>C. Ensure Enhanced Claims are compared and matched to corresponding CAP prior to reimbursement. Any discrepancies in indirect cost rates should be documented and discussed with the JPD to determine the correct rate prior to payment.</p> <p>D. Submit post payment adjustments for the underpayments identified.</p>	
16-8	Title IV-E Audit	<p>The Placement Services and Title IV-E Division Manager should:</p> <p>A. Determine a reasonable deadline for counties to submit claims to TJJD while providing sufficient time for processing the claim to DFPS within the 7 quarter timeframe specified in the DFPS reimbursement contract. The Summary of Grant Requirements should be updated and provided to the Juvenile Probation Departments.</p> <p>B. Prior to processing late claims, contact DFPS to determine if payment of the bill to the federal government can be executed in a proper and timely fashion.</p>	Verified as Implemented
16-8	Title IV-E Audit	<p>The Director of Application Development should:</p> <p>A. Ensure System Owners are designated for TPS and COMETS and user access levels are identified on the Security Access Form (IRD-010).</p> <p>B. Update the External Users Profile Procedures Manual to include user access levels and appropriate assignment of access.</p> <p>C. Collaborate with system owners to ensure only authorized users have access to their respective databases.</p> <p>D. Conduct user access reviews periodically.</p>	Verified as Implemented
17-1A	The Oaks Residential Contract Care Audit	<p>Director of Youth Placement, Re-entry & Program Development and the Youth Service Contract Manager should evaluate search requirements for residential contract care facilities as part of the contract renewal process.</p>	Pending

Project Code	Project Name	Recommendation	Recommendation Status
17-1A	The Oaks Residential Contract Care Audit	To strengthen IT security practices, A. Youth Service Contract Manager should evaluate the Contract Monthly Residential site visit tool to include a review of staff with access to agency applications. B. Monitoring and Inspections division should include review of employees' login interface to agency applications.	Pending
17-1A	The Oaks Residential Contract Care Audit	Youth Grievance Manager should coordinate with Youth Service contract manager to ensure proper handling and documentation of youth grievances for contract care programs.	Pending
17-1A	The Oaks Residential Contract Care Audit	The Youth Contract Service Manager should coordinate with The Oaks Management to streamline hotline reporting process.	Pending
17-1A	The Oaks Residential Contract Care Audit	The Director of Fiscal Affairs and Budget should ensure that the correct region code is used for contract care residential program.	Pending
17-1B	Orientation and Assessment Audit	1. To strengthen re-assessments for multiple commitment youth: A. The Director of State Operated Facilities should coordinate with the PREA Compliance Administrator to evaluate the Safe Housing Assessment and make necessary changes to ensure new violent offenses are accounted for when multiple commitment youth are re-assessed. B. The Superintendent should ensure that completion of assessments are documented sufficiently to ensure compliance with agency policy. Additionally, the Program Supervisor over Intake should ensure the assessments for multiple commitments are completed as required and inform the Superintendent of any issues that are identified.	Pending
17-1B	Orientation and Assessment Audit	The Director of Treatment should ensure the Assessment Overview is updated to reflect expectations of criteria for assessment of the PTSD Index.	Verified as Implemented

Project Code	Project Name	Recommendation	Recommendation Status
17-1B	Orientation and Assessment Audit	<p>The Superintendent should ensure:</p> <ul style="list-style-type: none"> A. 16-hour schedules are more detailed/specific and account for all required services. Additionally, holidays, Saturdays, and Sundays should each have a different approved 16-hour schedule. B. Daily reviews of the Dorm Shift Logs account for gaps in documented activities and ensure adherence to the 16-hour schedule. 	Management Reports as Implemented
17-1B	Orientation and Assessment Audit	<p>During weekly compliance reviews of Individual Youth Record (INS-216), Director of Security should ensure the daily reviews are being conducted to ensure compliance with services that should be provided to each youth including, but not limited to:</p> <ul style="list-style-type: none"> A. Large muscle exercise B. Daily case manager counseling, and C. Administrative, psychology, and /or chaplaincy staff. 	Management Reports as Implemented